



GREATER  
**KOKSTAD**  
MUNICIPALITY

PROVINCE OF KWAZULU-NATAL

Greater Kokstad Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2016

# **Greater Kokstad Local Municipality**

Annual Financial Statements for the year ended 30 June 2016

## **General Information**

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|                                      |   |  |
|--------------------------------------|---|--|
| <b>LEGAL FORM OF ENTITY</b>          | Local Municipality  |  |
| <b>MEMBERS OF THE COUNCIL</b>        | Cllr NT Jojozi<br>Cllr ZA Mhlongo<br>Cllr BM Mtolo<br>Cllr NC Nyembezi<br><br>Cllr JL Kotting<br><br>Cllr PX Xelitole<br>Cllr TM Mohlakoana<br>Cllr LJ Sithole<br>Cllr MM Nondabula<br>Cllr TO Madikizela<br><br>Cllr NT Mqikela<br><br>Cllr MNL Madikizela<br><br>Cllr V Ncukana<br>Cllr N Mavuka<br>Cllr P Nocanda<br>Cllr MN Dlakavu<br>Cllr KJ Walker<br><br>Cllr BL Marnce<br><br>Cllr MN Dumisa | <b>Mayor</b><br><b>Speaker</b><br><b>Deputy Mayor</b><br><b>Member of Executive Committee</b><br>01 July 2015 - 07 January 2016<br><b>Member of Executive Committee</b><br>26 February 2016 - 30 June 2016<br>Member<br>Member<br>Member<br>Member<br>Member<br>01 July 2015 - 02 June 2016<br>Member<br>01 July 2015 - 02 June 2016<br>Member<br>01 July 2015 - 07 January 2016<br>Member<br>Member<br>Member<br>Member<br>Member<br>01 July 2015 - 07 January 2016<br>Member<br>26 February 2016 - 30 June 2016<br>Member<br>26 February 2016 - 30 June 2016 |
| <b>GRADING OF LOCAL AUTHORITY</b>    | Grade 3   |  |
| <b>ACTING MUNICIPAL MANAGER</b>      | Mr A. Velem   |  |
| <b>CHIEF FINANCIAL OFFICER (CFO)</b> | Mr T. Mketsu  | 03 May 2016  |
| <b>PHYSICAL ADDRESS</b>              | 75 Hope Street<br>Kokstad<br>4700   |  |
| <b>POSTAL ADDRESS</b>                | P O Box 08<br>Kokstad<br>4700   |  |
| <b>BANKERS</b>                       | FNB   |  |
| <b>AUDITORS</b>                      | Auditor General South Africa (AGSA)   |  |
| <b>TELEPHONE NUMBER</b>              | 039-797-6600  |  |
| <b>FAX NUMBER</b>                    | 039-797-3676  |  |

# **Greater Kokstad Local Municipality**

Annual Financial Statements for the year ended 30 June 2016

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# **Greater Kokstad Local Municipality**

Annual Financial Statements for the year ended 30 June 2016

## **Accounting Officer's Responsibilities and Approval**

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 55 in terms of section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of councillors and payments made to councillors for loss of office, if any, as disclosed in note 28 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the constitution, read with the Remuneration of Public Officers Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.



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**Acting Municipal Manager**

**Mr A. Velem**

**31 August 2016**

# Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Financial Position as at 30 June 2016

|  |         | 2016               | 2015               |
|--|---------|--------------------|--------------------|
|  | Note(s) | R                  | R                  |
| <b>ASSETS</b>                              |         |                    |                    |
| <b>Current Assets</b>                      |         |                    |                    |
| Cash and cash equivalents                  | 2       | 88 367 345         | 52 715 848         |
| Trade Receivables                          | 3       | 34 585 431         | 26 240 250         |
| Receivables from non-exchange transactions | 4       | 8 978 908          | 4 869 062          |
| Inventories                                | 5       | 544 024            | 366 901            |
| Prepayments                                | 6       | 274 248            | 363 088            |
|  |         | <b>132 749 956</b> | <b>84 555 149</b>  |
| <b>Non-Current Assets</b>                  |         |                    |                    |
| Property, plant and equipment              | 7       | 478 535 163        | 483 633 095        |
| Intangible assets                          | 8       | 272 583            | 545 165            |
| Investment property                        | 9       | 24 053 439         | 24 141 582         |
| Heritage assets                            | 10      | 1 112 400          | 1 112 400          |
|  |         | <b>503 973 585</b> | <b>509 432 242</b> |
| <b>Total Assets</b>                        |         | <b>636 723 541</b> | <b>593 987 391</b> |
| <b>LIABILITIES</b>                         |         |                    |                    |
| <b>Current Liabilities</b>                 |         |                    |                    |
| Consumer deposits                          | 11      | 4 156 873          | 3 954 658          |
| Payables from exchange transactions        | 12      | 31 509 269         | 27 437 499         |
| Provisions                                 | 13      | 2 083 866          | 2 168 837          |
| Unspent conditional grants and receipts    | 14      | 8 323 447          | 6 446 340          |
| Current portion of a long term loan        | 15      | 490 607            | 897 472            |
| Finance lease obligation                   | 16      | 1 913 605          | 2 346 957          |
| Deferred income                            | 17      | 2 242 868          | 1 401 723          |
| VAT payable                                | 18      | 2 939 507          | 52 429             |
|  |         | <b>53 660 042</b>  | <b>44 705 915</b>  |
| <b>Non-Current Liabilities</b>             |         |                    |                    |
| Borrowings                                 | 15      | -                  | 490 606            |
| Finance lease obligation                   | 16      | 1 090 983          | 3 021 017          |
| Employee benefit obligation                | 19      | 18 610 604         | 19 103 957         |
|  |         | <b>19 701 587</b>  | <b>22 615 580</b>  |
| <b>Total Liabilities</b>                   |         | <b>73 361 629</b>  | <b>67 321 495</b>  |
| <b>Net Assets</b>                          |         | <b>563 361 912</b> | <b>526 665 896</b> |
| Accumulated surplus                        |         | 563 361 912        | 526 665 896        |

\* See Note 44

# Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Financial Performance

|   |         | 2016                 | 2015                 |
|---|---------|----------------------|----------------------|
|   | Note(s) | R                    | R                    |
| <b>Revenue</b>                                      |         |                      |                      |
| <b>Revenue from exchange transactions</b>           |         |                      |                      |
| Service charges                                     | 20      | 123 074 035          | 104 622 708          |
| Rental of facilities and equipment                  | 21      | 1 841 532            | 757 143              |
| Licences and permits                                |         | 3 465 991            | 3 473 497            |
| Contribution benefits vesting                       |         | 869 773              | 293 678              |
| Other income  |         | 864 184              | 1 585 875            |
| Interest earned - external investments              | 22      | 5 711 571            | 1 995 639            |
| <b>Total revenue from exchange transactions</b>     |         | <b>135 827 086</b>   | <b>112 728 540</b>   |
| <b>Revenue from non-exchange transactions</b>       |         |                      |                      |
| <b>Taxation revenue</b>                             |         |                      |                      |
| Property rates                                      | 23      | 88 824 595           | 85 160 680           |
| Interest received - outstanding receivables         | 23      | 4 711 040            | 2 968 728            |
| <b>Transfer revenue</b>                             |         |                      |                      |
| Government grants & subsidies                       | 24      | 78 606 110           | 110 226 603          |
| Public contributions and donations                  | 25      | -                    | 19 500               |
| Fines   |         | 4 383 945            | 12 142 114           |
| Provision for performance bonus recovery            |         | 373 426              | 1 358 807            |
| <b>Total revenue from non-exchange transactions</b> |         | <b>176 899 116</b>   | <b>211 876 432</b>   |
| <b>Total revenue</b>                                |         | <b>312 726 202</b>   | <b>324 604 972</b>   |
| <b>Expenditure</b>                                  |         |                      |                      |
| Employee costs                                      |         | (90 521 370)         | (84 039 162)         |
| Remuneration of councillors                         | 26      | (5 239 212)          | (4 850 528)          |
| Bulk purchases                                      | 27      | (75 885 783)         | (68 479 343)         |
| Depreciation and amortisation                       | 28      | (39 846 037)         | (50 314 749)         |
| Finance costs                                       | 29      | (803 936)            | (1 048 491)          |
| General Expenses                                    | 30      | (61 687 205)         | (57 229 316)         |
| Repairs and maintenance                             | 31      | (8 288 888)          | (6 093 408)          |
| <b>Total expenditure</b>                            |         | <b>(282 272 431)</b> | <b>(272 054 997)</b> |
| <b>Operating surplus (deficit)</b>                  |         |                      |                      |
| Loss on disposal of assets and liabilities          |         | -                    | (35 682)             |
| Gain / (Loss) on Actuarial                          |         | 2 246 197            | (1 384 248)          |
| Fair value adjustments                              | 39      | 768 157              | 748 486              |
| <b>Surplus for the year</b>                         |         | <b>3 014 354</b>     | <b>(671 444)</b>     |
| <b>Surplus for the year</b>                         |         | <b>33 468 125</b>    | <b>51 878 531</b>    |

\* See Note 44

# Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Changes in Net Assets

|   | Accumulated<br>surplus<br>R | Total net<br>assets<br>R |
|---|-----------------------------|--------------------------|
| Opening balance as previously reported                | 475 510 001                 | 475 510 001              |
| Adjustments   |                             |                          |
| Correction of error- Other PPE                        | (10 914)                    | (10 914)                 |
| Correction of credit notes                            | 322 518                     | 322 518                  |
| <b>Balance at 01 July 2014 as restated*</b>           | <b>475 821 605</b>          | <b>475 821 605</b>       |
| Changes in net assets                                 |                             |                          |
| Correction of creditors adjustments                   | 26 307                      | 26 307                   |
| Correction of duplicate creditors                     | 144 201                     | 144 201                  |
| Correction of error- Intangibles                      | 817 710                     | 817 710                  |
| Derecognition of roads                                | (1 945 896)                 | (1 945 896)              |
| Other changes and movements                           | (84 456)                    | (84 456)                 |
| Correction of suspense account                        | 7 894                       | 7 894                    |
| Net income recognised directly in net assets          | (1 034 240)                 | (1 034 240)              |
| Surplus for the year                                  | 51 878 531                  | 51 878 531               |
| Total recognised income and expenses for the year     | 50 844 291                  | 50 844 291               |
| Total changes   | 50 844 291                  | 50 844 291               |
| <b>Restated* Balance at 01 July 2015</b>              | <b>526 665 888</b>          | <b>526 665 888</b>       |
| Changes in net assets                                 |                             |                          |
| Change in estimate                                    | 3 227 899                   | 3 227 899                |
| Net income (losses) recognised directly in net assets | 3 227 899                   | 3 227 899                |
| Surplus for the period                                | 33 468 125                  | 33 468 125               |
| Total recognised income and expenses for the year     | 36 696 024                  | 36 696 024               |
| Total changes   | 36 696 024                  | 36 696 024               |
| <b>Balance at 30 June 2016</b>                        | <b>563 361 912</b>          | <b>563 361 912</b>       |

Note(s)

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\* See Note 44

# Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Cash Flow Statement

|   | Note(s)   | 2016<br>R            | 2015<br>Restated<br>R |
|---|-----------|----------------------|-----------------------|
| <b>Cash flows from operating activities</b>                 |           |                      |                       |
| <b>Receipts</b>   |           |                      |                       |
| Taxes   |           | 96 422 713           | 89 557 047            |
| Sale of goods and services                                  |           | 117 657 795          | 90 690 419            |
| Grants  |           | 80 483 217           | 111 889 713           |
| Interest income   |           | 5 711 571            | 1 995 639             |
| Other receipts  |           | 4 383 945            | 12 142 114            |
|   |           | <b>304 659 241</b>   | <b>306 274 932</b>    |
| <b>Payments</b>   |           |                      |                       |
| Employee costs  |           | (95 760 582)         | (83 007 274)          |
| Suppliers   |           | (136 446 018)        | (124 246 022)         |
| Finance costs   |           | (803 936)            | (1 048 491)           |
|   |           | <b>(233 010 536)</b> | <b>(208 301 787)</b>  |
| <b>Net cash flows from operating activities</b>             | <b>32</b> | <b>71 648 705</b>    | <b>97 973 145</b>     |
| <b>Cash flows from investing activities</b>                 |           |                      |                       |
| Purchase of property, plant and equipment                   | 7         | (33 425 773)         | (55 975 544)          |
| Retention capitalised                                       |           | -                    | 180 009               |
| <b>Net cash flows from investing activities</b>             |           | <b>(33 425 773)</b>  | <b>(55 795 535)</b>   |
| <b>Cash flows from financing activities</b>                 |           |                      |                       |
| Movement in borrowings                                      |           | (897 471)            | (797 075)             |
| Movement in retention                                       |           | 689 422              | -                     |
| Finance lease movement                                      |           | (2 363 386)          | (2 187 208)           |
| <b>Net cash flows from financing activities</b>             |           | <b>(2 571 435)</b>   | <b>(2 984 283)</b>    |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |           | <b>35 651 497</b>    | <b>39 193 327</b>     |
| Cash and cash equivalents at the beginning of the year      |           | 52 715 848           | 13 522 547            |
| <b>Cash and cash equivalents at the end of the year</b>     | <b>2</b>  | <b>88 367 345</b>    | <b>52 715 874</b>     |

\* See Note 44

# Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

|  | Original budget<br>R | Budget adjustments<br>(i.t.o. s28 and<br>s31 of the<br>MFMA)<br>R | Final adjustments<br>budget<br>R | Shifting of funds<br>(i.t.o.<br>s31 of the<br>MFMA)<br>R | Virement<br>(i.t.o. council<br>approved<br>policy)<br>R | Final budget<br>R  | Actual outcome<br>R | Unauthorised expenditure<br>R | Variance<br>R     | Actual outcome<br>as % of final<br>budget<br>R | Actual outcome<br>as % of original<br>budget<br>R |
|--|----------------------|---|----------------------------------|--|---|--------------------|---------------------|-------------------------------|-------------------|--|---|
| <b>2016</b>  |                      |   |                                  |  |   |                    |                     |                               |                   |  |   |
| <b>Financial Performance</b>   |                      |   |                                  |  |   |                    |                     |                               |                   |  |   |
| Property rates   | 91 493 061           | (4 029 645)   | 87 463 416                       | -  |   | 87 463 416         | 88 824 595          |                               | 1 361 179         | 102 %  | 97 %  |
| Service charges  | 123 339 088          | 5 888 405   | 129 227 493                      | -  |   | 129 227 493        | 123 074 035         |                               | (6 153 458)       | 100 %  |   |
| Fines  | 1 196 699            | -   | 1 196 699                        | -  |   | 1 196 699          | 4 383 945           |                               | 3 187 246         | 366 %  | 366 %   |
| Licences and permits   | 3 491 950            | -   | 3 491 950                        | -  |   | 3 491 950          | 3 465 991           |                               | (25 959)          | 99 %   | 99 %  |
| Rental of facilities and equipment                                   | 936 396              | 682 070   | 1 618 466                        | -  |   | 1 618 466          | 1 841 532           |                               | 223 066           | 114 %  | 197 %   |
| Interest earned - external investments                               | 2 701 332            | 2 320 607   | 5 021 939                        | -  |   | 5 021 939          | 5 711 571           |                               | 689 632           |  | 211 %   |
| Interest earned - outstanding debtors                                | 3 422 496            | -   | 3 422 496                        | -  |   | 3 422 496          | 4 711 040           |                               | 1 288 544         | 138 %  | 138 %   |
| Transfers recognised - operational                                   | 53 928 000           | 7 155 000   | 61 083 000                       | -  |   | 61 083 000         | 78 606 110          |                               | 17 523 110        | 129 %  | 146 %   |
| Other own revenue  | 4 345 720            | 3 382 350   | 7 728 070                        | -  |   | 7 728 070          | 2 107 383           |                               | (5 620 687)       | 27 %   | 48 %  |
| Gains on Disposal of PPE   | 10 000 000           | (10 000 000)  | -                                | -  |   | -                  | -                   |                               | -                 | - %  | - %   |
| <b>Total revenue (excluding capital transfers and contributions)</b> | <b>294 854 742</b>   | <b>5 398 787</b>  | <b>300 253 529</b>               | -  |   | <b>300 253 529</b> | <b>312 726 202</b>  |                               | <b>12 472 673</b> | <b>104 %</b>                                   | <b>106 %</b>                                      |
| Employee costs   | (96 948 236)         | (5 832 837)   | (102 781 073)                    | -  | -   | (102 781 073)      | (90 521 370)        | -                             | 12 259 703        | 88 %   | 93 %  |
| Remuneration of councillors  | (6 108 572)          | 560 000   | (5 548 572)                      | -  | -   | (5 548 572)        | (5 239 212)         | -                             | 309 360           | 94 %   | 86 %  |
| Debt impairment  | (13 000 000)         | 3 500 000   | (9 500 000)                      |  |   | (9 500 000)        | -                   | -                             | 9 500 000         |  | - %   |
| Depreciation and asset impairment                                    | (42 000 000)         | (27 400 000)  | (69 400 000)                     |  |   | (69 400 000)       | (39 846 037)        | -                             | 29 553 963        |  | 95 %  |
| Finance charges  | (1 536 385)          | (745 000)   | (2 281 385)                      | -  | -   | (2 281 385)        | (803 936)           | -                             | 1 477 449         | 35 %   | 52 %  |

# Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Appropriation Statement

|  | Original budget<br>R | Budget adjustments<br>(i.t.o. s28 and budget<br>s31 of the<br>MFMA)<br>R | Final adjustments<br>(i.t.o. s28 and budget<br>s31 of the<br>MFMA)<br>R | Shifting of funds (i.t.o.<br>s31 of the<br>MFMA)<br>R | Virement (i.t.o. council<br>approved<br>policy)<br>R | Final budget<br>R    | Actual outcome<br>R  | Unauthorised expenditure<br>R | Variance<br>R     | Actual outcome<br>as % of<br>final budget<br>R | Actual outcome<br>as % of<br>original budget<br>R |
|--|----------------------|--|---|---|--|----------------------|----------------------|-------------------------------|-------------------|--|---|
| Materials and bulk purchases                                       | (86 413 421)         | -  | (86 413 421)  | -   | -  | (86 413 421)         | (75 885 783)         | -                             | 10 527 638        | 88 %   | 88 %  |
| Transfers and grants   | (14 372 069)         | -  | (14 372 069)  | -   | -  | (14 372 069)         | -                    | -                             | 14 372 069        | - %  | - %   |
| Other expenditure  | (37 760 676)         | 8 200 308  | (29 560 368)  | -   | -  | (29 560 368)         | (69 976 093)         | -                             | (40 415 725)      | 185 %  |   |
| Contracted services  | (24 599 350)         | (5 961 899)  | (30 561 249)  | -   | -  | (30 561 249)         | -                    | -                             | 30 561 249        | - %  | - %   |
| <b>Total expenditure</b>   | <b>(322 738 709)</b> | <b>(27 679 428)</b>  | <b>(350 418 137)</b>  | -   | -  | <b>(350 418 137)</b> | <b>(282 272 431)</b> | -                             | <b>68 145 706</b> | <b>81 %</b>                                    | <b>87 %</b>                                       |
| <b>Surplus/(Deficit)</b>   | <b>(27 883 967)</b>  | <b>(22 280 641)</b>  | <b>(50 164 608)</b>   | -   |  | <b>(50 164 608)</b>  | <b>30 453 771</b>    |                               | <b>80 618 379</b> | <b>(61)%</b>                                   | <b>(109)%</b>                                     |
| Transfers recognised - capital                                     | 19 867 000           | 1 587 741  | 21 454 741  | -   |  | 21 454 741           | -                    |                               | (21 454 741)      |  | - %   |
| <b>Surplus (Deficit) after capital transfers and contributions</b> | <b>(8 016 967)</b>   | <b>(20 692 900)</b>  | <b>(28 709 867)</b>   | -   |  | <b>(28 709 867)</b>  | <b>30 453 771</b>    |                               | <b>59 163 638</b> | <b>(106)%</b>                                  | <b>(380)%</b>                                     |
| <b>Surplus/(Deficit) for the year</b>                              | <b>(8 016 967)</b>   | <b>(20 692 900)</b>  | <b>(28 709 867)</b>   | -   |  | <b>(28 709 867)</b>  | <b>30 453 771</b>    |                               | <b>59 163 638</b> | <b>(106)%</b>                                  | <b>(380)%</b>                                     |

# **Greater Kokstad Local Municipality**

Annual Financial Statements for the year ended 30 June 2016

## **Accounting Policies**

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### **1. Presentation of Annual Financial Statements**

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

The principal accounting policies adopted in the preparation of these financial statements are set out below.

#### **1.1 Presentation currency**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### **1.2 Going concern assumption**

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### **1.3 Standards issued but not effective**

##### **Basis of consolidation**

GRAP 1 Presentation of Financial Statements

GRAP 2 Cash Flow Statement

GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors

GRAP 5 Borrowing Costs

GRAP 9 Revenue from Exchange Transaction

GRAP 13 Leases

GRAP 14 Events After the Reporting Date

GRAP 16 Investment Properties

GRAP 17 Property, Plant and Equipment

GRAP 19 Provisions, Contingent Liabilities and Contingent Assets

GRAP 23 Revenue from Non-exchange Transaction

GRAP 24 Presentation of Budget Information in Financial Statements

GRAP 25 Employee Benefits

GRAP 31 Intangible Assets

GRAP 104 Financial Instruments

iGRAP 1 Traffic Fines

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 20 Related Party Disclosures

GRAP 32 Service Concession Arrangements

GRAP 108 Statutory Receivables

GRAP 109 Accounting by Principals and Agents

iGRAP 17 Service Concession arrangements where a Grantor controls a significant residual interest in an Asset

Adoption of these standards will have no material impact on future financial periods.

The following GRAP Standard has been approved but it is not required to be applied:

GRAP 18 Segment Reporting

# **Greater Kokstad Local Municipality**

Annual Financial Statements for the year ended 30 June 2016

## **Accounting Policies**

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### **Critical judgements, estimations and assumptions**

In preparing the annual financial statements, management is required to make estimates and assumptions that impact on the municipality financial statements once implemented. Actual results in the future could differ from these estimates which may be material to the annual financial statements .Significant Judgement includes:

### **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

### **Allowance for doubtful debts**

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

### **Effective interest rate**

The municipality used the prime interest rate to discount future cash flows.

### **1.4 Investment property**

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction cost once it meets the definition of investment property. Investment Property is initially recognised when future economic benefits or service potential are probable and the cost or fair value can be determined reliably

The cost of self-constructed investment property is the cost at date of completion.

### **Subsequent measurement -Fair value model**

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

### **Derecognition**

Investment property is derecognised when there is a disposal or no future economic benefits or service potential are to be derived from the property.

All gains or losses, which result from the derecognition, are recognised in the Statement of Financial Performance.

### **1.5 Property, plant and equipment**

#### **1.5.1 Initial recognition**

Property, plant and equipment are tangible non-current assets ( Including infrastructure assets) that are held for use in the production or supply of goods and services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

#### **1.5.2 Initial measurement**

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### **1.5 Property, plant and equipment (continued)**

Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. These assets have been revalued in line with the transitional provisions, and have been recorded at Depreciated Replacement Cost. The cost of items of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

#### **1.5.3 Subsequent Measurement - Cost model**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

#### **1.5.4 Depreciation and impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have useful lives are depreciated separately.

Land is not depreciated as it is deemed to have an indefinite useful life.

Capital work in progress is not depreciable until it is transferred to the applicable property, plant and equipment category once it is ready and available for its intended use.

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount) and an impairment amount is charged to the Statement of Financial Performance.

The annual depreciation rates are based on the following estimated average asset lives.

| <b>Item</b>                   | <b>Average useful life</b> |
|-------------------------------|----------------------------|
| Buildings                     | 80 years                   |
| Motor vehicles                | 5 - 7 years                |
| Infrastructure                |                            |
| • Roads and pavings           | 20 years                   |
| • Bridges                     | 30 years                   |
| • Storm water                 | 15 years                   |
| • Gravel                      | 20 years                   |
| • Substation and Transformers | 40 years                   |
| • Poles, Cables and Lights    | 15 - 25 years              |
| • Robots                      | 10 years                   |

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## **Accounting Policies**

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### **1.5 Property, plant and equipment (continued)**

#### **Community**

|                           |               |
|---------------------------|---------------|
| • Buildings               | 80 years      |
| • Recreational facilities | 5 years       |
| • Security system         | 5 years       |
| • Dams                    | 1 - 15 years  |
| • Libraries               | 15 -20 years  |
| • Parks and Gardens       | 15 years      |
| • Cemeteries              | 15 - 20 years |
| • Community centres       | 5 - 20 years  |

#### **Other property, plant and equipment**

|                          |             |
|--------------------------|-------------|
| • Emergency equipment    | 5 years     |
| • Landfill sites         | 15 years    |
| • Office equipment       | 5 years     |
| • Furniture and fittings | 5 years     |
| • Bins and containers    | 5 years     |
| • Computer equipment     | 5 - 8 years |

#### **1.5.5 Derecognition**

Items of property, plant and equipment are derecognised when the asset is disposed of or when there is no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### **1.6 Heritage assets**

#### **Initial Recognition**

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. A heritage asset shall be recognised as an asset if, and only if:

- (a) it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and
- (b) the cost or fair value of the asset can be measured reliably.

#### **Initial Measurement**

An asset that has met the recognition requirement criteria for heritage assets shall be measured at its cost if such an asset has been acquired through an exchange transaction.

Where a heritage asset has been acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

#### **Subsequent Measurement**

Heritage assets are not depreciated based on their nature however the municipality assesses at each reporting date whether there is a need for impairment.

The class of heritage assets are carried at its cost less any accumulated impairment losses.

#### **Derecognition**

The carrying amount of a heritage asset is derecognised:

- (a) on disposal, or
- (b) when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

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### **1.7 Intangible Assets**

#### **Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential;
- the municipality has the ability to measure reliably the expenditure during development."

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

#### **Subsequent measurement**

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Residual value of intangible assets is estimated to be zero. Fully depreciated assets which are still in use are not written off.

#### **Amortisation**

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

|                   |             |
|-------------------|-------------|
| Computer software | 3 - 8 years |
|-------------------|-------------|

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

#### **Derecognition**

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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## **Accounting Policies**

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### **1.8 Financial instruments**

The municipality has various types of financial instruments and these can be broadly categorised as either Financial Assets or Financial Liabilities.

#### **Financial Assets - Classification**

A financial asset is any asset consisting of cash or a contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Investments in Fixed Deposits (Banking Institutions, etc)
- Unlisted investments
- Consumer Debtors
- Certain Other Debtors.
- Short-term Investment Deposits
- Bank Balances and Cash

In accordance with GRAP 104, the Financial Assets of the municipality are classified as follows into the categories allowed by this standard:

# Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.8 Financial instruments (continued)

| Type of Financial Asset               | Classification in terms of GRAP 104 |
|---------------------------------------|-------------------------------------|
| Short-term Investment Deposits – Call | Financial assets at amortised cost  |
| Bank Balances and Cash                | Financial assets at amortised cost  |
| Long-term Receivables                 | Financial assets at amortised cost  |
| Consumer Debtors                      | Financial assets at amortised cost  |
| Other Debtors                         | Financial assets at amortised cost  |
| Investments in Fixed Deposits         | Financial assets at amortised cost  |

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Cash and cash equivalents include cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets held at amortised cost.

### Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Trade and other payables
- Bank Overdraft
- Short-term loans

Financial Liabilities of the municipality are classified into the following category as allowed by this standard

### Financial liabilities at amortised cost.

Financial liabilities at amortised cost are initially measured at fair value, net of transaction costs. These are subsequently measured at amortised cost using the Effective interest method, with interest expense recognised on an effective yield basis.

### Initial and Subsequent Measurement

#### Financial Assets:

Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the effective interest method less, any impairment, with interest recognised on an effective yield basis in surplus /deficit.

Financial assets are recognised on the trade date at which the municipality becomes party to the contractual provisions of the instrument.

#### Financial Liabilities

Financial Liabilities at amortised cost are initially measured at fair value net of transaction costs.

Subsequently, these liabilities are measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Financial liabilities are recognised on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

#### Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence of impairment of financial assets (such as the probability of insolvency or significant financial

# **Greater Kokstad Local Municipality**

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## **Accounting Policies**

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### **1.8 Financial instruments (continued)**

difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104

An allowance for impairment based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable and are recognized in surplus or deficit for the year.

An allowance for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables.

Changes in the carrying amount of the allowance for impairment are recognized in surplus or deficit for the year.

### **Derecognition of Financial Assets**

The municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of financial assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

### **Derecognition of Financial Liabilities**

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

## **1.9 Leases**

### **The Municipality as lessee**

#### **Recognition**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payment due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payment, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

#### **Measurement**

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies application to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayments using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies related to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful lives or the lease term.

# **Greater Kokstad Local Municipality**

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## **Accounting Policies**

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### **1.10 Inventories**

#### **Initial recognition & measurement**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

#### **Subsequent Measurement**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

#### **Derecognition**

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

### **1.11 Non-current assets held for sale and disposal groups**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

### **1.12 Impairment of cash-generating assets**

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

# **Greater Kokstad Local Municipality**

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## **Accounting Policies**

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### **1.12 Impairment of cash-generating assets (continued)**

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

### **1.13 Impairment of non-cash-generating assets**

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

An asset is considered to be impaired when its market value falls lower than its carrying value

### **1.14 Conditional grants and receipts**

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

### **1.15 Post-employee benefits**

#### **Short-term employee benefits**

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

#### **Defined contribution plans**

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

# **Greater Kokstad Local Municipality**

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## **Accounting Policies**

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### **1.15 Post-employee benefits (continued)**

#### **Medical Aid**

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

### **1.16 Provisions**

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

# **Greater Kokstad Local Municipality**

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## **Accounting Policies**

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### **1.16 Provisions (continued)**

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note .

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### **1.17 Revenue from exchange transactions**

#### **Recognition**

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

- a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### **Measurement**

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from General Valuation and Supplementary Rolls is recognised when valuation rolls are effective and when rates are billed.

Revenue from sale of electricity from prepaid meters is recognised at the point of sale  
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transactions.

# **Greater Kokstad Local Municipality**

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## **Accounting Policies**

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### **1.17 Revenue from exchange transactions (continued)**

#### **Rendering of services**

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

### **1.18 Revenue from non-exchange transactions**

#### **Recognition**

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

#### **Measurement**

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

### **1.19 Value Added Taxation**

The Municipality accounts for Value Added Tax on the payment basis. This means that VAT is declared to the South African Revenue Services as input VAT or output VAT only when payments are made to suppliers or payments are received for goods or services. The net output VAT on debtors where money has not been received or creditors where payment has not yet been made is disclosed separately in the Statement of Financial Position in terms of GRAP 1

### **1.20 Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

# **Greater Kokstad Local Municipality**

Annual Financial Statements for the year ended 30 June 2016

## **Accounting Policies**

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### **1.21 Unauthorised expenditure**

Unauthorised expenditure is an expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.22 Fruitless and wasteful expenditure**

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.23 Irregular expenditure**

Irregular expenditure is an expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.24 Commitments**

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date;
- where disclosure is required by a specific standard of GRAP

### **1.25 Budget information**

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2015/07/01 to 2016/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

# **Greater Kokstad Local Municipality**

Annual Financial Statements for the year ended 30 June 2016

## **Accounting Policies**

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### **1.26 Related parties**

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

# Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

|                                       | 2016<br>R         | 2015<br>R         |
|---------------------------------------|-------------------|-------------------|
| <b>2. Cash and cash equivalents</b>   |                   |                   |
| Cash and cash equivalents consist of: |                   |                   |
| Cash on hand                          | 12 333            | 12 333            |
| Bank balances                         | 9 313 360         | 1 726 837         |
| Call deposits                         | 79 041 652        | 50 976 678        |
|                                       | <b>88 367 345</b> | <b>52 715 848</b> |

### The municipality had the following bank accounts

| Account number / description         | Bank statement balances |                   | Cash book balances |                   |
|--------------------------------------|-------------------------|-------------------|--------------------|-------------------|
|                                      | 30 June 2016            | 30 June 2015      | 30 June 2016       | 30 June 2015      |
| FNB - Primary Account -527-2002-4258 | 6 293 823               | 3 660 333         | 9 313 360          | 1 726 837         |
| FNB - 620-4994-7825                  | 14 495 867              | 10 346 476        | 14 495 867         | 10 346 476        |
| FNB - 622-9521-8947                  | 1 000                   | 474 012           | 1 000              | 1 000             |
| FNB - 620-6810-2682                  | 26 819                  | 26 401            | 26 819             | 26 401            |
| FNB - 620-8937-2868                  | 3 756 387               | 2 607 114         | 3 756 387          | 1 298 136         |
| FNB - 620-8992-7663                  | 1 000                   | 621 199           | 1 000              | 337 795           |
| FNB - 621-9170-1476                  | 1 324 825               | 638 355           | 6 323              | 7 355             |
| FNB - 621-0368-9230                  | 1 263 764               | 1 205 470         | 1 263 764          | 1 205 470         |
| FNB - 621-9024-8221                  | 2 083 853               | 1 986 714         | 2 083 853          | 1 986 714         |
| STD - 308-644-085                    | 3 617 324               | 1 680 436         | 3 617 254          | 1 680 436         |
| NED - 0371-6501-3687                 | 67 396                  | 63 044            | 67 396             | 63 044            |
| FNB - 623-0064-1611                  | 2 183                   | 4 161             | 2 189              | 4 161             |
| NED - 716-501-3660                   | 2 420 903               | 323 986           | 407 942            | 323 986           |
| NED -0371-6501-4276                  | 422 301                 | 247 360           | 309 899            | 247 360           |
| ABSA - 207-483-6976                  | 16 423 549              | 10 316 283        | 16 423 555         | 10 316 283        |
| STANDARD BANK RESERVE ACCOUNT        | 16 445 273              | 10 321 267        | -                  | 16 445 273        |
| NEDBANK RESERVE ACCOUNT              | 16 372 748              | 10 297 189        | -                  | 16 372 748        |
| DOE 6385-1558-80001                  | 3 866 978               | 2 513 606         | -                  | 3 866 978         |
| <b>Total</b>                         | <b>88 885 993</b>       | <b>57 333 406</b> | <b>88 461 607</b>  | <b>52 703 516</b> |

### 3. Trade receivables

#### Gross balances

|  |                   |                   |
|--|-------------------|-------------------|
| Rates from non exchange transactions   | 23 538 641        | 18 800 210        |
| Electricity from exchange transactions | 21 740 611        | 10 426 842        |
| Refuse from exchange transactions      | 16 630 969        | 9 202 771         |
| Fire Levy from exchange transactions   | 1 571 130         | 9 262 432         |
| Add : Debtors with credit balances     | -                 | 4 341 774         |
|  | <b>63 481 351</b> | <b>52 034 029</b> |

#### Less: Allowance for impairment

|  |                     |                     |
|--|---------------------|---------------------|
| Rates from non exchange transactions   | (10 700 214)        | (14 296 988)        |
| Electricity from exchange transactions | (9 920 444)         | (584 435)           |
| Refuse from exchange transactions      | (7 564 892)         | (5 991 528)         |
| Fire Levy from exchange transactions   | (710 370)           | (4 920 839)         |
|  | <b>(28 895 920)</b> | <b>(25 793 790)</b> |

# Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

|  | 2016<br>R         | 2015<br>R         |
|--|-------------------|-------------------|
| <b>3. Trade receivables (continued)</b>    |                   |                   |
| <b>Net balance</b>                         |                   |                   |
| Rates from non exchange transactions       | 12 838 427        | 4 503 222         |
| Electricity from exchange transactions     | 11 820 167        | 9 842 408         |
| Refuse from exchange transactions          | 9 066 077         | 3 211 253         |
| Fire Levy from exchange transactions       | 860 760           | 4 341 593         |
| Add: Debtors with credit balances          | -                 | 4 341 774         |
|  | <b>34 585 431</b> | <b>26 240 250</b> |
| <b>Rates</b>                               |                   |                   |
| Current (0 -30 days)                       | 3 351 533         | 2 601 593         |
| 31 - 60 days                               | 1 722 198         | 1 357 387         |
| 61 - 90 days                               | 833 682           | 656 615           |
| 91 - 120 days                              | 503 087           | 431 493           |
| 121 - 365 days                             | 17 128 141        | 13 753 121        |
|  | <b>23 538 641</b> | <b>18 800 209</b> |
| <b>Electricity</b>                         |                   |                   |
| Current (0 -30 days)                       | 7 845 832         | 5 637 711         |
| 31 - 60 days                               | 2 181 478         | 1 173 212         |
| 61 - 90 days                               | 972 160           | 509 245           |
| 91 - 120 days                              | 460 388           | 371 995           |
| 121 - 365 days                             | 10 280 753        | 2 734 679         |
|  | <b>21 740 611</b> | <b>10 426 842</b> |
| <b>Refuse</b>                              |                   |                   |
| Current (0 -30 days)                       | 2 494 308         | 1 218 269         |
| 31 - 60 days                               | 1 895 296         | 836 813           |
| 61 - 90 days                               | 1 362 067         | 688 802           |
| 91 - 120 days                              | 836 797           | 607 720           |
| 121 - 365 days                             | 10 042 501        | 5 851 167         |
|  | <b>16 630 969</b> | <b>9 202 771</b>  |
| <b>Fire Levy from exchange transaction</b> |                   |                   |
| Current (0 -30 days)                       | 124 412           | 991 446           |
| 31 - 60 days                               | 101 082           | 459 822           |
| 61 - 90 days                               | 81 562            | 385 516           |
| 91 - 120 days                              | 53 174            | 329 993           |
| 121 - 365 days                             | 1 210 900         | 7 095 654         |
|  | <b>1 571 130</b>  | <b>9 262 431</b>  |

# Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

|  | 2016<br>R           | 2015<br>R           |
|--|---------------------|---------------------|
| <b>3. Trade receivables (continued)</b>              |                     |                     |
| <b>Summary of debtors by customer classification</b> |                     |                     |
| <b>Consumers</b>                                     |                     |                     |
| Current (0 -30 days)                                 | 2 398 242           | 2 560 516           |
| 31 - 60 days   | 3 017 459           | 2 170 101           |
| 61 - 90 days   | 1 996 471           | 1 482 209           |
| 91 - 120 days  | 1 356 659           | 1 238 538           |
| 121 - 365 days                                       | 30 827 053          | 23 918 945          |
|  | <hr/>               | <hr/>               |
| Add: Debtors with credit balances                    | 39 595 884          | 31 370 309          |
|  | 4 586 695           | 4 341 774           |
|  | <hr/>               | <hr/>               |
|  | <b>44 182 579</b>   | <b>35 712 083</b>   |
| <b>Industrial/ commercial</b>                        |                     |                     |
| Current (0 -30 days)                                 | 6 728 494           | 6 461 045           |
| 31 - 60 days   | 2 086 854           | 1 647 998           |
| 61 - 90 days   | 884 311             | 752 107             |
| 91 - 120 days  | 614 005             | 499 054             |
| 121 - 365 days                                       | 432 287             | 635 438             |
| > 365 days   | 7 954 446           | 5 002 677           |
|  | <hr/>               | <hr/>               |
|  | <b>18 700 397</b>   | <b>14 998 319</b>   |
| <b>National and provincial government</b>            |                     |                     |
| Current (0 -30 days)                                 | 1 492 257           | 1 427 458           |
| 31 - 60 days   | (30 143)            | 9 134               |
| 61 - 90 days   | (25 766)            | 5 863               |
| 91 - 120 days  | 1 955               | 3 609               |
| 121 - 365 days                                       | 711                 | 768                 |
| > 365 days   | (840 639)           | (123 205)           |
|  | <hr/>               | <hr/>               |
|  | <b>598 375</b>      | <b>1 323 627</b>    |
| <b>Total</b>   |                     |                     |
| Current (0 -30 days)                                 | 13 816 085          | 10 449 019          |
| 31 - 60 days   | 5 900 054           | 3 827 234           |
| 61 - 90 days   | 3 249 471           | 2 240 179           |
| 91 - 120 days  | 1 853 446           | 1 741 200           |
| 121 - 365 days                                       | 38 662 295          | 29 434 623          |
|  | <hr/>               | <hr/>               |
| Add: Debtors with credit balances                    | 63 481 351          | 47 692 255          |
| Less: Allowance for impairment                       | -                   | 4 341 774           |
|  | <hr/>               | <hr/>               |
|  | <b>(28 895 920)</b> | <b>(25 793 789)</b> |
|  | <hr/>               | <hr/>               |
|  | <b>34 585 431</b>   | <b>26 240 240</b>   |
| <b>Less: Allowance for impairment</b>                |                     |                     |
| Current (0 -30 days)                                 | (3 094 096)         | (2 720 064)         |
| 31 - 60 days   | (1 479 782)         | (1 300 899)         |
| 61 - 90 days   | (3 228 623)         | (2 838 327)         |
| 91 - 120 days  | (874 419)           | (768 714)           |
| 121 - 365 days                                       | (20 219 000)        | (18 165 785)        |
|  | <hr/>               | <hr/>               |
|  | <b>(28 895 920)</b> | <b>(25 793 789)</b> |

# Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

|   | 2016<br>R           | 2015<br>R           |
|---|---------------------|---------------------|
| <b>3. Trade receivables (continued)</b>           |                     |                     |
| <b>Reconciliation of allowance for impairment</b> |                     |                     |
| Balance at beginning of the year                  | (25 793 789)        | (23 013 344)        |
| Contributions to allowance                        | (3 102 131)         | -                   |
| Reversal of allowance                             | -                   | (2 780 445)         |
|   | <b>(28 895 920)</b> | <b>(25 793 789)</b> |

### Consumer debtors past due but not impaired

The ageing of amounts past due but not impaired is as follows:

|                   |           |           |
|-------------------|-----------|-----------|
| 1 month past due  | 7 894 508 | 1 650 000 |
| 2 months past due | 1 987 306 | 800 411   |
| 3 months past due | 12 169    | 652 000   |

### 4. Receivables from non-exchange transactions

|                                   |                  |                  |
|-----------------------------------|------------------|------------------|
| Fines                             | 5 509 554        | 3 019 585        |
| SETA                              | 420 128          | -                |
| Sundry debtors                    | 2 449 939        | 1 596 350        |
| Add: Debtors with credit balances | 599 287          | 253 127          |
|                                   | <b>8 978 908</b> | <b>4 869 062</b> |

### 5. Inventories

|                      |         |         |
|----------------------|---------|---------|
| Stores and materials | 544 024 | 366 901 |
|----------------------|---------|---------|

Inventories consists of consumables and fuels.

### 6. Prepayments

|             |         |         |
|-------------|---------|---------|
| Prepayments | 274 248 | 363 088 |
|-------------|---------|---------|

Licence fees for computer software were prepaid.

### 7. Property, plant and equipment

|                                     | 2016               |   |                    | 2015               |   |                    |
|-------------------------------------|--------------------|---|--------------------|--------------------|---|--------------------|
|                                     | Cost / Valuation   | Accumulated depreciation and accumulated impairment | Carrying value     | Cost / Valuation   | Accumulated depreciation and accumulated impairment | Carrying value     |
| Land and buildings                  | 126 582 788        | (86 572 444)  | 40 010 344         | 125 726 488        | (84 983 552)  | 40 742 936         |
| Motor vehicles                      | 7 991 596          | (6 303 593)   | 1 688 003          | 8 213 254          | (5 831 214)   | 2 382 040          |
| Infrastructure                      | 547 238 918        | (262 511 707)                                       | 284 727 211        | 540 551 613        | (237 389 628)                                       | 303 161 985        |
| Community                           | 156 243 478        | (90 913 252)  | 65 330 226         | 121 661 331        | (88 026 127)  | 33 635 204         |
| Other property, plant and equipment | 24 982 632         | (16 449 164)  | 8 533 468          | 23 459 424         | (17 201 590)  | 6 257 834          |
| Capital work in progress            | 78 245 911         | -   | 78 245 911         | 97 453 096         | -   | 97 453 096         |
| <b>Total</b>                        | <b>941 285 323</b> | <b>(462 750 160)</b>                                | <b>478 535 163</b> | <b>917 065 206</b> | <b>(433 432 111)</b>                                | <b>483 633 095</b> |

# Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand

### 7. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2016

|                                     | Opening balance    | Additions         | Transfers      | Other changes, Depreciation movements | Total              |
|-------------------------------------|--------------------|-------------------|----------------|---------------------------------------|--------------------|
| Land and Buildings                  | 40 742 936         | -                 | 856 300        | - (1 588 892)                         | 40 010 344         |
| Motor vehicles                      | 2 382 040          | 526 928           | -              | (93 987) (1 126 978)                  | 1 688 003          |
| Infrastructure                      | 303 161 985        | -                 | 15 956 581     | (2 904 293) (31 487 062)              | 284 727 211        |
| Community                           | 33 635 204         | -                 | 34 582 147     | - (2 887 125)                         | 65 330 226         |
| Other property, plant and equipment | 6 257 834          | 1 531 147         | -              | 3 227 894 (2 483 407)                 | 8 533 468          |
| Capital work in progress            | 97 453 096         | 31 367 698        | (50 574 883)   | - -                                   | 78 245 911         |
|                                     | <b>483 633 095</b> | <b>33 425 773</b> | <b>820 145</b> | <b>229 614 (39 573 464)</b>           | <b>478 535 163</b> |

#### Reconciliation of property, plant and equipment - 2015

|                                     | Opening balance    | Additions         | Disposals       | Transfers    | Other changes, Depreciation movements | Total              |
|-------------------------------------|--------------------|-------------------|-----------------|--------------|---------------------------------------|--------------------|
| Land and Buildings                  | 42 401 317         | -                 | -               | -            | 119 924 (1 778 305)                   | 40 742 936         |
| Motor vehicles                      | 3 891 194          | -                 | -               | -            | - (1 509 154)                         | 2 382 040          |
| Infrastructure                      | 317 313 916        | -                 | -               | 27 251 289   | (1 945 895) (39 457 325)              | 303 161 985        |
| Community                           | 34 197 970         | -                 | -               | 9 938 518    | (7 128 312) (3 372 972)               | 33 635 204         |
| Other property, plant and equipment | 10 027 835         | 64 675            | (35 682)        | -            | 125 431 (3 924 425)                   | 6 257 834          |
| Capital work in progress            | 79 048 417         | 55 910 869        | -               | (37 189 807) | (316 383) -                           | 97 453 096         |
|                                     | <b>486 880 649</b> | <b>55 975 544</b> | <b>(35 682)</b> | <b>-</b>     | <b>(9 145 235) (50 042 181)</b>       | <b>483 633 095</b> |

#### Assets subject to finance lease (Net carrying amount)

|                |           |           |
|----------------|-----------|-----------|
| Motor vehicles | 1 688 003 | 2 382 040 |
|----------------|-----------|-----------|

# Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

|   | 2016<br>R | 2015<br>R    |
|---|-----------|--------------|
| <b>7. Property, plant and equipment (continued)</b>   |           |              |
| <b>Other information</b>  |           |              |
| <b>Property, plant and equipment fully depreciated and still in use (Gross carrying amount)</b> |           |              |
| Motor vehicles  | -         | 5            |
| Furniture and fittings  | -         | 1 236        |
| Plant and equipment   | -         | 54           |
| Office equipment  | -         | 282          |
| Computer equipment  | -         | 311          |
|   | <b>-</b>  | <b>1 888</b> |

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

## 8. Intangible assets

|                   | 2016             |   | 2015           |                          |
|-------------------|------------------|---|----------------|--------------------------|
|                   | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation         |
| Computer software | 2 180 556        | (1 907 973)   | 272 583        | 2 180 556                |
|                   |                  |   |                | (1 635 391)      545 165 |

### Reconciliation of intangible assets - 2016

|                   | Opening balance | Amortisation | Total   |
|-------------------|-----------------|--------------|---------|
| Computer software | 545 165         | (272 582)    | 272 583 |

### Reconciliation of intangible assets - 2015

|                   | Opening balance | Transfers | Amortisation | Total   |
|-------------------|-----------------|-----------|--------------|---------|
| Computer software | 25              | 817 709   | (272 569)    | 545 165 |

## 9. Investment property

|  | 2016             |   | 2015           |                   |
|--|------------------|---|----------------|-------------------|
|  | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation  |
| Investment property - Land & Buildings | 24 053 439       | -   | 24 053 439     | 24 141 582        |
|  |                  |   |                | -      24 141 582 |

# Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

|   | 2016<br>R                     | 2015<br>R                     |                                   |                     |                               |                |
|---|-------------------------------|-------------------------------|-----------------------------------|---------------------|-------------------------------|----------------|
| <b>9. Investment property (continued)</b>           |                               |                               |                                   |                     |                               |                |
| <b>Reconciliation of investment property - 2016</b> |                               |                               |                                   |                     |                               |                |
|   |                               |                               |                                   |                     |                               |                |
| Investment property - Land & Buildings              | Opening balance<br>24 141 582 | Transfers<br>(856 300)        | Fair value adjustments<br>768 157 | Total<br>24 053 439 |                               |                |
| <b>Reconciliation of investment property - 2015</b> |                               |                               |                                   |                     |                               |                |
|   |                               |                               |                                   |                     |                               |                |
| Investment property - Land & Buildings              | Opening balance<br>22 801 496 | Transfers<br>591 600          | Fair value adjustments<br>748 486 | Total<br>24 141 582 |                               |                |
| <b>10. Heritage assets</b>                          |                               |                               |                                   |                     |                               |                |
|   |                               |                               |                                   |                     |                               |                |
|   | 2016                          | 2015                          |                                   |                     |                               |                |
|   | Cost / Valuation              | Accumulated impairment losses | Carrying value                    | Cost / Valuation    | Accumulated impairment losses | Carrying value |
| Museum  | 1 112 400                     | -                             | 1 112 400                         | 1 112 400           | -                             | 1 112 400      |
| <b>Reconciliation of heritage assets 2016</b>       |                               |                               |                                   |                     |                               |                |
|   |                               |                               |                                   |                     |                               |                |
| Museum  | Opening balance<br>1 112 400  |                               |                                   | Total<br>1 112 400  |                               |                |
| <b>Reconciliation of heritage assets 2015</b>       |                               |                               |                                   |                     |                               |                |
|   |                               |                               |                                   |                     |                               |                |
| Museum  | Opening balance<br>1 232 325  |                               | Transfers<br>(119 925)            |                     | Total<br>1 112 400            |                |
| <b>11. Consumer deposits</b>                        |                               |                               |                                   |                     |                               |                |
|   |                               |                               |                                   |                     |                               |                |
| Electricity   |                               |                               | 4 156 873                         |                     | 3 954 658                     |                |
| <b>12. Payables from exchange transactions</b>      |                               |                               |                                   |                     |                               |                |
|   |                               |                               |                                   |                     |                               |                |
| Trade payables                                      |                               |                               | 1 161 190                         |                     | 350 792                       |                |
| Accrued leave pay                                   |                               |                               | 5 280 230                         |                     | 5 164 511                     |                |
| Other payables                                      |                               |                               | 9 926 418                         |                     | 11 690 072                    |                |
| Add: Debtors with credit balances                   |                               |                               | 5 185 982                         |                     | 4 594 901                     |                |
| Retentions  |                               |                               | 2 272 211                         |                     | 2 308 365                     |                |
| Creditor accruals                                   |                               |                               | 7 683 238                         |                     | 3 328 858                     |                |
|   | <b>31 509 269</b>             |                               |                                   | <b>27 437 499</b>   |                               |                |

# Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

|  | 2016<br>R | 2015<br>R |
|--|-----------|-----------|
|--|-----------|-----------|

### 13. Provisions

#### Reconciliation of provisions - 2016

|                                 | Opening<br>Balance | Additions | Utilised during<br>the year | Reversed<br>during the year | Total     |
|---------------------------------|--------------------|-----------|-----------------------------|-----------------------------|-----------|
| Provision for performance bonus | 2 168 837          | 2 083 866 | (1 795 411)                 | (373 426)                   | 2 083 866 |

#### Reconciliation of provisions - 2015

|                                 | Opening<br>Balance | Additions | Utilised during<br>the year | Reversed<br>during the year | Total     |
|---------------------------------|--------------------|-----------|-----------------------------|-----------------------------|-----------|
| Provision for performance bonus | 4 378 768          | 2 168 837 | (3 019 961)                 | (1 358 807)                 | 2 168 837 |

### 14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

|                                   |                  |                  |
|-----------------------------------|------------------|------------------|
| Horseshoe Township                | 1 352 108        | 1 293 814        |
| Financial Management Grant        | -                | 5 544            |
| IDP Community participation       | 85 672           | 85 672           |
| Peoples Housing Project 12 and 13 | 27 376           | 26 958           |
| Shayamoya Eco- Complex            | 80 260           | 31 743           |
| Small Town Rehabilitation         | 3 550 740        | 1 676 958        |
| Industrial Park                   | 128 865          | 128 865          |
| Sports & Recreation               | 266 926          | 410 501          |
| DOE                               | -                | 2 786 285        |
| Energy Efficiency Grant           | 2 831 500        | -                |
|                                   | <b>8 323 447</b> | <b>6 446 340</b> |

### 15. Borrowings

The following loan bears interest at 12.26% per annum, with bi-annual instalments of R327 267.29 in December and June. The loan is repayable by 31 December 2016 and the capital portion amounts to R 490 607.

|                      |                |                |
|----------------------|----------------|----------------|
| Current portion      | -              | -              |
| Non- current portion | 490 607        | 897 471        |
|                      | <b>490 607</b> | <b>490 606</b> |

# Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

|  | 2016<br>R        | 2015<br>R        |
|--|------------------|------------------|
| <b>16. Finance lease obligation</b>  |                  |                  |
| <b>Minimum lease payments due</b>  |                  |                  |
| - within one year  | 2 184 460        | 2 852 662        |
| - in second to fifth year inclusive  | 1 138 281        | 3 313 320        |
|  | <hr/>            | <hr/>            |
| less: future finance charges   | 3 322 741        | 6 165 982        |
|  | (318 153)        | (798 008)        |
| <b>Present value of minimum lease payments</b>   | <hr/>            | <hr/>            |
|  | <b>3 004 588</b> | <b>5 367 974</b> |
| <b>Present value of minimum lease payments due</b>   |                  |                  |
| - within one year  | 1 913 605        | 2 346 957        |
| - in second to fifth year inclusive  | 1 090 983        | 3 021 017        |
|  | <hr/>            | <hr/>            |
| <b>3 004 588</b>   | <b>5 367 974</b> |                  |
| Non-current liabilities  | 1 090 983        | 3 021 017        |
| Current liabilities  | <hr/>            | <hr/>            |
|  | <b>3 004 588</b> | <b>5 367 974</b> |
| <b>17. Deferred Income</b>   |                  |                  |
| Sale of land   | 2 242 868        | <hr/> 1 401 723  |
| Income was received for the sale of land which the risks and rewards are still with the municipality and for the sales of electricity. |                  |                  |
| <b>18. VAT payable</b>   |                  |                  |
| Tax payable  | 2 939 507        | <hr/> 52 429     |

# Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

|   | 2016<br>R           | 2015<br>R           |
|---|---------------------|---------------------|
| <b>19. RETIREMENT BENEFITS AND LONG SERVICE AWARD</b>             |                     |                     |
| <b>Defined benefit plan</b>                                       |                     |                     |
| The plan is a post employment medical benefit plan.               |                     |                     |
| <b>Post employment health care benefits</b>                       |                     |                     |
| Present value of the defined benefit obligation - wholly unfunded | (10 995 518)        | (12 966 960)        |
| Net actuarial gains or losses recognised                          | (2 346 746)         | (1 516 928)         |
| Current service cost  | (638 732)           | (521 065)           |
| Interest cost   | (1 373 295)         | (1 139 661)         |
| Benefits paid   | 489 420             | 455 604             |
|   | <b>(14 864 871)</b> | <b>(15 689 010)</b> |

### Long service awards

|   |                    |                    |
|---|--------------------|--------------------|
| Opening balance                               | (3 414 947)        | (3 031 335)        |
| Net actuarial gains and losses not recognised | (100 549)          | (132 680)          |
| Current service cost                          | (350 789)          | (312 012)          |
| Interest cost                                 | (259 801)          | (232 598)          |
| Benefits paid                                 | 380 353            | 293 678            |
|   | <b>(3 745 733)</b> | <b>(3 414 947)</b> |

# **Greater Kokstad Local Municipality**

Annual Financial Statements for the year ended 30 June 2016

## **Notes to the Annual Financial Statements**

| 2016 | 2015 |
|------|------|
| R    | R    |

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### **19. RETIREMENT BENEFITS AND LONG SERVICE AWARD (continued)**

PeHCL report

# Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

|  | 2016<br>R | 2015<br>R |
|--|-----------|-----------|
|--|-----------|-----------|

Table A5.1 Past year and future projected Liability

|  | Year ending<br>30/06/2016 | Year ending<br>30/06/2017 | Year ending<br>30/06/2018 |
|--|---------------------------|---------------------------|---------------------------|
| <b>Opening Accrued Liability</b>       | <b>15,689,010</b>         | <b>14,864,871</b>         | <b>16,222,707</b>         |
| Current-service Cost                   | 638,732                   | 516,444                   | 564,158                   |
| Interest Cost                          | 1,373,295                 | 1,350,372                 | 1,473,910                 |
| Expected Contributions (benefits paid) | * (489,420)               | * (508,980)               | * (551,325)               |
| <b>Total Annual Expense</b>            | <b>1,522,607</b>          | <b>1,357,836</b>          | <b>1,486,743</b>          |
| Actuarial Loss / (Gain)                | (2,346,746)               |                           |                           |
| <b>Closing Accrued Liability</b>       | <b>14,864,871</b>         | <b>16,222,707</b>         | <b>17,709,450</b>         |

Table A5.3 Reconciling and Projecting the Unfunded Accrued Liability

| Unfunded Accrued Liability         | Year ending<br>30/06/2016 | Year ending<br>30/06/2017 |
|------------------------------------|---------------------------|---------------------------|
| <b>Opening Balance</b>             | <b>15,689,010</b>         | <b>14,864,871</b>         |
| Current-service Cost               | 638,732                   | 516,444                   |
| Interest Cost                      | 1,373,295                 | 1,350,372                 |
| Expected Return on Plan Assets     | -                         | -                         |
| <b>Actuarial (Gain)/Loss</b>       | <b>(2,346,746)</b>        | <b>-</b>                  |
| Past-service Cost                  | -                         | -                         |
| Effect of Curtailment/Settlement   | -                         | -                         |
| Expected Employer Benefit Payments | (489,420)                 | (508,980)                 |
| <b>Closing Balance</b>             | <b>14,864,871</b>         | <b>16,222,707</b>         |
| <b>Projected Accrued Liability</b> | <b>17,211,617</b>         | <b>16,222,707</b>         |

Table A5.4 Net Liability to reflect in the Balance Sheet

| Net Liability in Balance Sheet                           | Year ending<br>30/06/2016 | Year ending<br>30/06/2017 |
|--|---------------------------|---------------------------|
| <b>Opening Balance</b>                                   | <b>15,689,010</b>         | <b>14,864,871</b>         |
| Current-service Cost                                     | 638,732                   | 516,444                   |
| Interest Cost  | 1,373,295                 | 1,350,372                 |
| Expected Return on Plan Assets                           | -                         | -                         |
| Transitional Liability Recognised                        | -                         | -                         |
| Actuarial (Gain)/Loss Recognised in P&L                  | (2,346,746)               | -                         |
| Past-service Cost Recognised                             | -                         | -                         |
| Effect of Curtailment/Settlement                         | -                         | -                         |
| <b>Net Periodic Cost Recognised in P&amp;L</b>           | <b>(334,719)</b>          | <b>1,866,816</b>          |
| Expected Employer Benefit Payments                       | (489,420)                 | (508,980)                 |
| Transitional Liability Recognised                        | -                         | -                         |
| Employer Prefunding Contributions                        | -                         | -                         |
| Actuarial (Gain)/Loss Recognised outside P&L             | -                         | -                         |
| <b>Closing Balance</b>                                   | <b>14,864,871</b>         | <b>16,222,707</b>         |
| Current Portion of Liability (due in the next 12 months) | 508,980                   | 551,325                   |
| Non-Current Portion of Liability                         | 14,355,891                | 15,671,382                |

# Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

|  | 2016<br>R | 2015<br>R |
|--|-----------|-----------|
|--|-----------|-----------|

*Table A3.1 Past year and future projected Liability*

|                                  | Year ending<br>30/06/2016 | Year ending<br>30/06/2017 | Year ending<br>30/06/2018 |
|----------------------------------|---------------------------|---------------------------|---------------------------|
| <b>Opening Accrued Liability</b> | <b>3,414,947</b>          | <b>3,745,728</b>          | <b>4,050,561</b>          |
| Current-service Cost             | 350,789                   | 368,979                   | 400,578                   |
| Interest Cost                    | 259,801                   | 305,290                   | 327,168                   |
| Expected Benefit Vestings        | *(380,358)                | (369,436)                 | (470,246)                 |
| <b>Total Annual Expense</b>      | <b>230,232</b>            | <b>304,833</b>            | <b>257,500</b>            |
| <b>Actuarial Loss / (Gain)</b>   | <b>100,549</b>            |                           |                           |
| <b>Closing Accrued Liability</b> | <b>3,745,728</b>          | <b>4,050,561</b>          | <b>4,308,061</b>          |

# Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

|   | 2016<br>R            | 2015<br>R            |
|---|----------------------|----------------------|
| <b>20. Service charges</b>                    |                      |                      |
| Sale of electricity                           | 97 496 381           | 88 282 560           |
| Refuse removal                                | 23 921 441           | 14 793 171           |
| Other service charges                         | 1 656 213            | 1 546 977            |
|   | <b>123 074 035</b>   | <b>104 622 708</b>   |
| <b>21. Rental of Facilities and Equipment</b> |                      |                      |
| Rental of facilities                          | 1 820 411            | 652 378              |
| Advertising                                   | 21 121               | 104 764              |
|   | <b>1 841 532</b>     | <b>757 142</b>       |
| <b>22. Investment revenue</b>                 |                      |                      |
| <b>Interest revenue</b>                       |                      |                      |
| Interest received                             | 5 711 571            | 1 995 639            |
| <b>23. Property rates</b>                     |                      |                      |
| <b>Rates received</b>                         |                      |                      |
| Residential                                   | 23 655 798           | 21 644 627           |
| Commercial                                    | 15 902 557           | 15 312 853           |
| Public service infrastructure                 | 50 047               | 58 829               |
| Government                                    | 43 721 390           | 43 725 057           |
| Industrial                                    | 6 906 949            | 7 827 245            |
| Agriculture                                   | 3 493 616            | 3 297 802            |
| Sectional titles                              | 943 956              | 933 951              |
| Less: Rates rebates                           | (5 849 718)          | (7 639 684)          |
|   | 88 824 595           | 85 160 680           |
| Interest received - outstanding receivables   | 4 711 040            | 2 968 728            |
|   | <b>93 535 635</b>    | <b>88 129 408</b>    |
| <b>Valuations</b>                             |                      |                      |
| Residential                                   | 1 869 712 327        | 1 922 436 606        |
| Commercial                                    | 558 230 800          | 507 529 995          |
| Public benefit organisation                   | 76 781 700           | 133 914 375          |
| Municipal                                     | 166 449 900          | 52 854 580           |
| Government                                    | 1 127 583 000        | 2 047 564 735        |
| Industrial                                    | 270 989 400          | 274 754 820          |
| Agricultural                                  | 975 179 600          | 912 827 165          |
| Public service infrastructure                 | 15 305 600           | 1 682 184            |
| Multipurpose                                  | 143 900              | 18 901 865           |
|   | <b>5 060 376 227</b> | <b>5 872 466 325</b> |

# Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

|  | 2016<br>R         | 2015<br>R          |
|--|-------------------|--------------------|
| <b>24. Government grants and subsidies</b> |                   |                    |
| <b>Operating grants</b>                    |                   |                    |
| Equitable share                            | 46 173 000        | 47 616 000         |
| MSIG Project Consolidate                   | 930 000           | 934 000            |
| FMG  | 1 705 544         | 1 694 456          |
| DOE  | 2 786 285         | 2 213 715          |
| Sport and Recreation                       | 143 575           | 91 094             |
| SETA                                       | 1 252 391         | -                  |
| Energy Efficiency Grant                    | 168 500           | -                  |
| Expanded Public Works Programme            | 1 997 000         | 1 754 000          |
| Arts and Culture                           | 1 654 000         | 1 521 999          |
|  | <b>56 810 295</b> | <b>55 825 264</b>  |
| <b>Capital grants</b>                      |                   |                    |
| Small Town Rehabilitation                  | 1 126 218         | 9 542 462          |
| Municipal Infrastructure Grant             | 16 867 000        | 16 551 525         |
| Housing                                    | -                 | 1 045 150          |
| Shayamoya Eco-Complex                      | 3 802 597         | 12 523 680         |
| Development of Light industrial park       | -                 | 14 738 521         |
|  | <b>21 795 815</b> | <b>54 401 338</b>  |
|  | <b>78 606 110</b> | <b>110 226 602</b> |

### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

### Housing

|   |          |             |
|---|----------|-------------|
| Current-year receipts                   | -        | 1 045 150   |
| Conditions met - transferred to revenue | -        | (1 045 150) |
|   | <b>-</b> | <b>-</b>    |

This grant is used for upgrading informal settlement areas within the Municipality. No funds were withheld

### Financial Management Grant - FMG

|   |             |              |
|---|-------------|--------------|
| Balance unspent at beginning of year    | 5 544       | -            |
| Current-year receipts                   | 1 700 000   | 1 700 000    |
| Conditions met - transferred to revenue | (1 705 544) | (1 694 456)  |
|   | <b>-</b>    | <b>5 544</b> |

This grant was used for implementation of MFMA, finance reforms and payment of intern's salaries.

### Municipal Infrastructure Grant - MIG

|   |              |              |
|---|--------------|--------------|
| Balance unspent at beginning of year    | -            | 6 525        |
| Current-year receipts                   | 16 867 000   | 16 545 000   |
| Conditions met - transferred to revenue | (16 867 000) | (16 551 525) |
|   | <b>-</b>     | <b>-</b>     |

This grant is used for road infrastructure as part of upgrading of infrastructure projects.

# Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

|  | 2016<br>R        | 2015<br>R        |
|--|------------------|------------------|
| <b>24. Government grants and subsidies (continued)</b> |                  |                  |
| <b>Small Town Rehabilitation</b>                       |                  |                  |
| Balance unspent at beginning of year                   | 1 676 958        | 3 219 420        |
| Current-year receipts                                  | 3 000 000        | 8 000 000        |
| Conditions met - transferred to revenue                | (1 126 218)      | (9 542 462)      |
|  | <b>3 550 740</b> | <b>1 676 958</b> |

This grant is used for development in town like upgrading sidewalks, parkings and storm water drainage.

### Peoples Housing Project 12 & 13

|                                      |               |               |
|--------------------------------------|---------------|---------------|
| Balance unspent at beginning of year | 26 959        | 26 693        |
| Current-year receipts                | 417           | 266           |
|                                      | <b>27 376</b> | <b>26 959</b> |

This grant is used for upgrading informal settlement areas within the Municipality. No funds were withheld.

### Horseshoe Township

|                                      |                  |                  |
|--------------------------------------|------------------|------------------|
| Balance unspent at beginning of year | 1 293 814        | 1 243 325        |
| Current-year receipts                | 58 294           | 50 489           |
|                                      | <b>1 352 108</b> | <b>1 293 814</b> |

This grant is used for upgrading informal settlement areas within the Municipality. No funds were withheld.

### MSIG Project Consolidate

|   |           |           |
|---|-----------|-----------|
| Current-year receipts                   | 930 000   | 934 000   |
| Conditions met - transferred to revenue | (930 000) | (934 000) |
|   | -         | -         |

This grant is used for Ward Committee Participation, by-laws and policies and systems that support local government legislations. Municipal Audit outcome and General Valuation Roll. No funds were withheld.

### Arts and culture

|   |             |             |
|---|-------------|-------------|
| Current-year receipts                   | 1 654 000   | 1 522 000   |
| Conditions met - transferred to revenue | (1 654 000) | (1 522 000) |
|   | -           | -           |

This grant is used for the provision of staffing costs for Library services within the Municipality. No funds were withheld.

### Sports and Recreation

|   |                |                |
|---|----------------|----------------|
| Balance unspent at beginning of year    | 410 501        | 201 595        |
| Current-year receipts                   | -              | 300 000        |
| Conditions met - transferred to revenue | (143 575)      | (91 094)       |
|   | <b>266 926</b> | <b>410 501</b> |

This grant is used for upgrading and maintainance of Sports field. No funds were withheld.

# Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

|   | 2016<br>R        | 2015<br>R        |
|---|------------------|------------------|
| <b>24. Government grants and subsidies (continued)</b>        |                  |                  |
| <b>IDP</b>  |                  |                  |
| Balance unspent at beginning of year                          | 85 673           | 85 673           |
| This grant is for IDP compilation and processes.              |                  |                  |
| <b>EPWP</b>   |                  |                  |
| Current-year receipts   | 1 997 000        | 1 754 000        |
| Conditions met - transferred to revenue                       | (1 997 000)      | (1 754 000)      |
|   | -                | -                |
| <b>Shayamoya eco complex</b>                                  |                  |                  |
| Balance unspent at beginning of year                          | 31 743           | -                |
| Current-year receipts   | 3 851 114        | 12 555 423       |
| Conditions met - transferred to revenue                       | (3 802 597)      | (12 523 680)     |
|   | <b>80 260</b>    | <b>31 743</b>    |
| <b>Light industrial park</b>                                  |                  |                  |
| Balance unspent at beginning of year                          | 128 865          | -                |
| Current-year receipts   | -                | 14 867 386       |
| Conditions met - transferred to revenue                       | -                | (14 738 521)     |
|   | <b>128 865</b>   | <b>128 865</b>   |
| <b>DOE</b>  |                  |                  |
| Balance unspent at beginning of year                          | 2 786 285        | -                |
| Current-year receipts   | -                | 5 000 000        |
| Conditions met - transferred to revenue                       | (2 786 285)      | (2 213 715)      |
|   | <b>-</b>         | <b>2 786 285</b> |
| Conditions still to be met - remain liabilities (see note 14) |                  |                  |
| <b>SETA</b>   |                  |                  |
| Current-year receipts   | 832 263          | -                |
| Conditions met - transferred to revenue                       | (1 252 391)      | -                |
|   | <b>(420 128)</b> | -                |
| Conditions still to be met - remain liabilities               |                  |                  |
| <b>Energy Efficiency Grant</b>                                |                  |                  |
| Current-year receipts   | 3 000 000        | -                |
| Conditions met - transferred to revenue                       | (168 500)        | -                |
|   | <b>2 831 500</b> | -                |
| Conditions still to be met - remain liabilities.              |                  |                  |

# Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

|  | 2016<br>R         | 2015<br>R         |
|--|-------------------|-------------------|
| <b>25. Public contributions and donations</b>  |                   |                   |
| Donations Received   | -                 | 19 500            |
| <b>26. Remuneration of councillors</b>   |                   |                   |
| Mayor  | 706 707           | 663 759           |
| Deputy Mayor   | 577 871           | 534 973           |
| Speaker  | 502 456           | 534 973           |
| Executive Committee Member   | 267 607           | 224 561           |
| Councillors  | 1 901 924         | 1 614 830         |
| Councillors' pension and medical aid contributions   | 576 777           | 285 216           |
| Councillors allowances   | 705 870           | 992 216           |
|  | <b>5 239 212</b>  | <b>4 850 528</b>  |
| <b>In-kind benefits</b>  |                   |                   |
| The Mayor, Deputy Mayor, Speaker are full-time. The Mayor is provided with an office and secretarial support at the cost of the Council. |                   |                   |
| The Mayor and the Deputy Mayor and speaker each have the use of separate Council owned vehicles for official duties.                     |                   |                   |
| <b>27. Bulk purchases</b>  |                   |                   |
| Electricity  | 75 885 783        | 68 479 343        |
| <b>28. Depreciation and amortisation</b>   |                   |                   |
| Property, plant and equipment  | 39 573 455        | 50 042 180        |
| Intangible assets  | 272 582           | 272 569           |
|  | <b>39 846 037</b> | <b>50 314 749</b> |
| <b>29. Finance costs</b>   |                   |                   |
| Fair value adjustments: Notional Interest  | 146 670           | 42 406            |
| Borrowings   | 657 266           | 1 006 085         |
|  | <b>803 936</b>    | <b>1 048 491</b>  |

# Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

|   | 2016<br>R         | 2015<br>R         |
|---|-------------------|-------------------|
| <b>30. General expenses</b>               |                   |                   |
| Administration                            | 67 057            | -                 |
| Advertising                               | 426 130           | 535 797           |
| Auditors remuneration                     | 3 596 773         | 3 408 158         |
| Bank charges                              | 432 798           | 475 119           |
| Commission paid                           | 1 044 883         | 1 014 716         |
| Conferences and seminars                  | 20 922            | 46 979            |
| Consulting and professional fees          | 1 251 799         | 1 329 389         |
| Collection costs                          | 611 197           | 396 053           |
| Departmental consumption                  | 1 416 947         | 732 028           |
| Bursaries                                 | 106 876           | 340 114           |
| Electricity network                       | 6 046             | 151 581           |
| Financial management grant                | 1 129 598         | 843 007           |
| Fuel and oil                              | 2 749 489         | 2 954 629         |
| Housing expenditure                       | -                 | 1 045 150         |
| Indigent subsidy                          | 15 299 932        | 4 554 144         |
| ICT services                              | 808 374           | 594 043           |
| Insurance                                 | 451 011           | 590 215           |
| Municipal Systems Expenditure             | 752 724           | 269 129           |
| Lease rentals on operating lease          | 3 027 454         | 3 083 059         |
| Levies                                    | 14 056            | 10 223            |
| Licence fees                              | 171 730           | 191 215           |
| Subscription & Publication                | 1 430 530         | 1 190 191         |
| Other expenses                            | 10 359 002        | 7 175 905         |
| Contribution to doubtful fines            | 946 431           | 8 401 380         |
| Allowance for debt impairment             | 3 102 131         | 2 780 445         |
| Postage and courier                       | 528 656           | 366 309           |
| Printing and stationery                   | 175 977           | 199 286           |
| Assets written off                        | 2 998 282         | 7 278 312         |
| Rental of buildings                       | 303 468           | 283 642           |
| Security (Guarding of municipal property) | 2 709 197         | 1 886 293         |
| Stocks and materials                      | 881 110           | 698 847           |
| Telephone and fax                         | 1 732 568         | 1 635 609         |
| Training                                  | 439 686           | 480 605           |
| Transport claims                          | 78 889            | 313 869           |
| Travel - local                            | 1 229 696         | 510 265           |
| Uniforms                                  | 1 227 891         | 1 276 373         |
| Valuation costs                           | 157 895           | 187 237           |
|   | <b>61 687 205</b> | <b>57 229 316</b> |

## 31. Repairs and maintenance

|                        |                  |                  |
|------------------------|------------------|------------------|
| Vehicles               | 1 964 464        | 771 948          |
| Office equipment       | 37 307           | -                |
| Computer equipment     | 37 636           | 92 958           |
| Buildings              | 1 181 701        | 628 439          |
| Sports field and parks | 556 143          | 430 510          |
| Roads and pavements    | 2 940 013        | 3 160 041        |
| Electricity network    | 1 548 458        | 1 009 511        |
| Machinery              | 23 166           | -                |
|                        | <b>8 288 888</b> | <b>6 093 407</b> |

# Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

|  | 2016<br>R         | 2015<br>R         |
|--|-------------------|-------------------|
| <b>32. Cash generated from operations</b>              |                   |                   |
| Surplus  | 33 468 125        | 51 878 531        |
| <b>Adjustments for:</b>                                |                   |                   |
| Depreciation and amortisation                          | 39 846 037        | 50 314 749        |
| Loss sale of assets and liabilities                    | -                 | 35 682            |
| Fair value adjustments                                 | (768 157)         | (748 486)         |
| Movements in retirement benefit assets and liabilities | (493 353)         | 3 105 662         |
| Movements in provisions                                | (84 971)          | (2 209 931)       |
| Non cash movements                                     | (869 773)         | 304 106           |
| Other changes and movements                            | -                 | (84 456)          |
| Assets written off                                     | -                 | 7 278 360         |
| Reversal of depreciation                               | 3 214 802         | -                 |
| Correction of creditors adjustments                    | -                 | 26 307            |
| Correction of duplicate creditors                      | -                 | 144 201           |
| <b>Changes in working capital:</b>                     |                   |                   |
| Inventories  | (177 123)         | (52 671)          |
| Trade and other receivables from exchange transactions | (8 345 191)       | (11 623 917)      |
| Other receivables from non-exchange transactions       | (4 109 846)       | (3 331 546)       |
| Prepayments  | 88 840            | 66 817            |
| Payables from exchange transactions                    | 4 071 770         | (328 334)         |
| VAT  | 2 887 078         | 1 394 861         |
| Unspent conditional grants and receipts                | 1 877 107         | 1 663 110         |
| Consumer deposits                                      | 202 215           | (11 623)          |
| Deferred income  | 841 145           | 151 723           |
|  | <b>71 648 705</b> | <b>97 973 145</b> |

# Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

|  | 2016<br>R      | 2015<br>R      |
|--|----------------|----------------|
| <b>33. Fruitless and wasteful expenditure</b>                  |                |                |
| Reconciliation of fruitless and wasteful expenditure.          |                |                |
| Opening balance  | 213 705        | 493 315        |
| Current year expenditure                                       | 146 670        | 213 705        |
| Condoned or written off by council                             | -              | (493 315)      |
| <b>Fruitless and wasteful expenditure awaiting condonement</b> | <b>360 375</b> | <b>213 705</b> |

Fruitless and wasteful expenditure consists of :

|                       |                |                |
|-----------------------|----------------|----------------|
| Department of Labour  | 50 578         | -              |
| Eskom interest        | 505            | 27 408         |
| MCPF penalty interest | 265            | -              |
| NJMPF penalties       | 2 310          | -              |
| SARS penalties        | 76 076         | -              |
| HGM                   | -              | 11             |
| DOT                   | -              | 182 631        |
| Telkom                | 16 936         | 3 655          |
|                       | <b>146 670</b> | <b>213 705</b> |

## 34. Additional disclosure in terms of Municipal Finance Management Act

### Contributions to organised local government

|                                 |           |           |
|---------------------------------|-----------|-----------|
| Current year subscription / fee | 889 280   | 951 892   |
| Amount paid - current year      | (889 280) | (951 892) |
|                                 | -         | -         |

### Audit fees

|                                 |             |             |
|---------------------------------|-------------|-------------|
| Current year subscription / fee | 2 027 874   | 1 384 269   |
| Amount paid - current year      | (2 027 874) | (1 384 269) |
|                                 | -           | -           |

### PAYE, UIF & SDL

|                                 |              |              |
|---------------------------------|--------------|--------------|
| Current year subscription / fee | 12 463 453   | 11 263 413   |
| Amount paid - current year      | (12 463 453) | (11 263 413) |
|                                 | -            | -            |

### Pension and Medical Aid Deductions

|                                 |              |              |
|---------------------------------|--------------|--------------|
| Current year subscription / fee | 21 714 399   | 11 433 925   |
| Amount paid - current year      | (21 714 399) | (11 433 925) |
|                                 | -            | -            |

### VAT

|             |           |        |
|-------------|-----------|--------|
| VAT payable | 2 939 507 | 52 429 |
|-------------|-----------|--------|

All VAT returns have been submitted by the due date throughout the year.

# Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

|  | 2016<br>R | 2015<br>R |
|--|-----------|-----------|
|--|-----------|-----------|

### 34. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Councillors' arrear consumer accounts

No Councillors had arrear accounts outstanding at 30 June 2016.

### 35. Commitments

#### Approved and contracted for

|                  |                   |                   |
|------------------|-------------------|-------------------|
| • Infrastructure | 6 579 178         | 22 352 385        |
| • Community      | 6 215 030         | 11 416 243        |
|                  | <b>12 794 208</b> | <b>33 768 628</b> |

#### This expenditure will be financed from:

|                     |                   |                   |
|---------------------|-------------------|-------------------|
| • Government grants | 6 975 029         | 22 864 461        |
| • Own Resources     | 5 819 178         | 10 904 167        |
|                     | <b>12 794 207</b> | <b>33 768 628</b> |

#### Operating leases - as lessee (expense)

#### Minimum lease payments due

|                                     |                |                |
|-------------------------------------|----------------|----------------|
| - within one year                   | 118 800        | 432 000        |
| - in second to fifth year inclusive | -              | 475 200        |
|                                     | <b>118 800</b> | <b>907 200</b> |

Operating lease payments represent rentals payable by the municipality for certain of its office equipment. Leases are negotiated for an average term of two years, rentals are fixed for an average of two years and could be reviewed based on performance for a further period of one year. No contingent rent is payable.

### 36. Related parties

There are no related party transactions that required disclosure for the current financial year.

### 37. Events after the reporting date

No events after reporting date have been identified for the current financial year.

# Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

|  | 2016<br>R         | 2015<br>R         |                    |
|--|-------------------|-------------------|--------------------|
| <b>38. Financial instruments disclosure</b>            |                   |                   |                    |
| <b>Categories of financial instruments</b>             |                   |                   |                    |
| <b>2016</b>  |                   |                   |                    |
| <b>Financial assets</b>                                |                   |                   |                    |
|  | At fair value     | At amortised cost | Total              |
| Trade and other receivables from exchange transactions | -                 | 34 585 431        | 34 585 431         |
| Other receivables from non-exchange transactions       | -                 | 8 978 908         | 8 978 908          |
| Cash and cash equivalents                              | 88 367 345        | -                 | 88 367 345         |
|  | <b>88 367 345</b> | <b>43 564 339</b> | <b>131 931 684</b> |
| <b>Financial liabilities</b>                           |                   |                   |                    |
|  | At amortised cost | Total             |                    |
| Payables from exchange transactions                    | 31 509 269        | 31 509 269        |                    |
| Consumer deposits                                      | 4 156 873         | 4 156 873         |                    |
| Borrowings   | 490 607           | 490 607           |                    |
| Finance lease obligation                               | 3 004 588         | 3 004 588         |                    |
|  | <b>39 161 337</b> | <b>39 161 337</b> |                    |
| <b>2015</b>  |                   |                   |                    |
| <b>Financial assets</b>                                |                   |                   |                    |
|  | At fair value     | At amortised cost | Total              |
| Trade and other receivables from exchange transactions | -                 | 27 717 626        | 27 717 626         |
| Other receivables from non-exchange transactions       | -                 | 6 093 192         | 6 093 192          |
| Cash and cash equivalents                              | 52 715 848        | -                 | 52 715 848         |
|  | <b>52 715 848</b> | <b>33 810 818</b> | <b>86 526 666</b>  |
| <b>Financial liabilities</b>                           |                   |                   |                    |
|  | At amortised cost | Total             |                    |
| Trade and other payables from exchange transactions    | 30 193 540        | 30 193 540        |                    |
| Finance lease obligation                               | 5 367 974         | 5 367 974         |                    |
| Consumer Deposit                                       | 3 954 658         | 3 954 658         |                    |
| Long term borrowings                                   | 1 388 078         | 1 388 078         |                    |
|  | <b>40 904 250</b> | <b>40 904 250</b> |                    |

# Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

|  | 2016<br>R                      | 2015<br>R                                     |   |                        |
|--|--------------------------------|---|---|------------------------|
| <b>. Financial instruments disclosure (continued)</b>  |                                |   |   |                        |
| <b>Financial instruments in Statement of financial performance</b>   |                                |   |   |                        |
| <b>2016</b>  |                                |   |   |                        |
| Interest income (calculated using effective interest method) for financial instruments at amortised cost   | At amortised cost<br>5 711 571 | Total<br>5 711 571                            |   |                        |
| Interest expense (calculated using effective interest method) for financial instruments at amortised cost  | (803 936)                      | (803 936)                                     |   |                        |
|  | <b>4 907 635</b>               | <b>4 907 635</b>                              |   |                        |
| <b>2015</b>  |                                |   |   |                        |
| Interest income (calculated using effective interest method) for financial instruments at amortised cost   | At amortised cost<br>1 995 639 | Total<br>1 995 639                            |   |                        |
| Interest expense (calculated using effective interest method) for financial instruments at amortised cost  | (2 420 750)                    | (2 420 750)                                   |   |                        |
|  | <b>(425 111)</b>               | <b>(425 111)</b>                              |   |                        |
| <b>39. Fair value adjustments</b>  |                                |   |   |                        |
| Investment property (Fair value model)   | 768 157                        | 748 486                                       |   |                        |
| <b>40. Risk management</b>   |                                |   |   |                        |
| <b>Financial risk management</b>   |                                |   |   |                        |
| The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.  |                                |   |   |                        |
| The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. |                                |   |   |                        |
| <b>Liquidity risk</b>  |                                |   |   |                        |
| The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.  |                                |   |   |                        |
| At 30 June 2016  | Less than 1 year<br>490 607    | Between 1 and 2 years<br>-<br>1 913 605       | Between 2 and 5 years<br>-<br>1 090 983 | Over 5 years<br>-<br>- |
| Borrowings   | 490 607                        | -   | -                                       | -                      |
| Finance lease obligation   | 1 913 605                      | 1 090 983                                     | -                                       | -                      |
| At 30 June 2015  | Less than 1 year<br>897 472    | Between 1 and 2 years<br>490 607<br>2 346 957 | Between 2 and 5 years<br>-<br>3 021 017 | Over 5 years<br>-<br>- |
| Borrowings   | 897 472                        | 490 607                                       | -                                       | -                      |
| Finance lease obligation   | 2 346 957                      | 3 021 017                                     | -                                       | -                      |

# Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

|  | 2016<br>R | 2015<br>R |
|--|-----------|-----------|
|--|-----------|-----------|

### 40. Risk management (continued)

#### Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

### 41. Electricity losses

#### 2016

The municipality has identified electricity losses in units 7 813 709.12 with an estimated value of R 7 012 803.94.

#### 2015

The municipality has identified electricity losses in units 3 950 945.75 with an estimated value of R 2 809 517.55.

### 42. Irregular expenditure

|   |                  |                  |
|---|------------------|------------------|
| Opening balance                           | 2 167 062        | 2 040 086        |
| Add: Irregular Expenditure - current year | 707 872          | 2 167 062        |
| Less: Amounts condoned                    | -                | (2 040 086)      |
|   | <b>2 874 934</b> | <b>2 167 062</b> |

#### Details of irregular expenditure – current year

|  |                |                  |
|--|----------------|------------------|
| Nashua   | -              | 39 138           |
| CICS   | -              | 49 815           |
| Kokstad Sheriff                                      | -              | 23 239           |
| Mdledle Incorporated                                 | -              | 67 047           |
| ZMS Management Solutions                             | -              | 116 585          |
| Zethembe Maintenance and General Services CC         | -              | 1 586 238        |
| Protea Consulting                                    | -              | 285 000          |
| Alfred Nzo Technologies-Crusher Run and Crusher dust | 93 600         | -                |
| SMG Development (Pty) Ltd- Bulk Bitumen              | 83 374         | -                |
| Mkhonde Group- Prefabricated Road Patches            | 5 170          | -                |
| CHM fleet services                                   | 525 728        | -                |
|  | <b>707 872</b> | <b>2 167 062</b> |

### 43. SCM DEVIATIONS

|                  |                |                |
|------------------|----------------|----------------|
| Emergencies      | 142 134        | 68 645         |
| Single providers | 401 445        | 146 265        |
| One Quotation    | -              | 7 604          |
| Other Deviation  | -              | 435 380        |
|                  | <b>543 579</b> | <b>657 894</b> |

# **Greater Kokstad Local Municipality**

Annual Financial Statements for the year ended 30 June 2016

## **Notes to the Annual Financial Statements**

|   | 2016<br>R | 2015<br>R       |
|---|-----------|-----------------|
| <b>44. Prior period errors</b>                                    |           |                 |
| Invoices were duplicated in the prior years.                      |           |                 |
| Movable assets were incorrectly sitting under WIP.                |           |                 |
| The correction of the error(s) results in adjustments as follows: |           |                 |
| <b>Statement of financial position</b>                            |           |                 |
| Property, plant and equipment                                     | -         | (35 195)        |
| Payables from exchange transactions                               | -         | 524 145         |
| VAT Payable   | -         | 32 778          |
| Accumulated Surplus   | -         | (521 728)       |
|   | -         | -               |
| <b>Statement of Financial Performance</b>                         |           |                 |
| Depreciation  | -         | 24 278          |
| General expenses  | -         | (55 999)        |
|   | -         | <b>(31 721)</b> |

## **45. Change in estimate**

### **Property, plant and equipment**

The municipality had fully depreciated assets still in use and the management has revised the useful life of these assets which has resulted in the reversal of the accumulated depreciation. The effect of this revision has increased the depreciation charges for the current and future periods by R 3 235 826

# Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2016

**GREATER KOKSTAD MUNICIPALITY**  
**APPENDIX A (NON-AUDITABLE)**  
**SCHEDULE OF EXTERNAL LOANS FOR THE ENDED 30 JUNE 2016**

| EXTERNAL LOANS                               | Loan number | Redeemable Date | Balance at 30<br>June 2015 | Received during<br>the period | Redeemed /<br>written off<br>during the<br>period | Balance at 30<br>June 2016 | Carrying Value<br>of Property,<br>Plant &<br>Equipment | Other Costs in<br>accordance with<br>MFMA |
|--|-------------|-----------------|----------------------------|-------------------------------|---|----------------------------|--|---|
| <b>LONG-TERM LOANS</b>                       |             |                 |                            |                               |   |                            |  |   |
| INCA - R 5,800,000.00                        | 12.26%      | 934-528050      | 30/06/2016                 | 1 388 078                     | -   | (897 472)                  | 490 606  |   |
| <b>Total long-term loans</b>                 |             |                 |                            |                               |   |                            |  |   |
|  |             |                 |                            |                               |   |                            |  |   |
| <b>TOTAL EXTERNAL LOANS</b>                  |             |                 |                            | <b>1 388 078</b>              | <b>-</b>  | <b>(897 472)</b>           | <b>490 606</b>   |   |
| <b>Short term portion of Long term Loans</b> |             |                 |                            |                               |   |                            |  |   |
| Dec 16                                       |             |                 |                            | 490 606.00                    |   |                            | 490 606.00   |   |
|  |             |                 |                            |                               |   |                            |  |   |
|  |             |                 |                            | <b>490 606.00</b>             |   |                            | <b>490 606.00</b>                                      |   |

\* See Note 44

**Greater Kokstad Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**Supplementary Information**

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\* See Note 44

# Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Supplementary Information

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| GREATER KOKSTAD MUNICIPALITY<br>APPENDIX B (NON-AUDITABLE)               |                   |               |                    |                             |           |             |                          |              |                |           |   |
|--|-------------------|---------------|--------------------|-----------------------------|-----------|-------------|--------------------------|--------------|----------------|-----------|---|
| ANALYSIS OF PROPERTY PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2016 |                   |               |                    |                             |           |             |                          |              |                |           |   |
|  | COST /REVALUATION |               |                    |                             |           |             | ACCUMULATED DEPRECIATION |              |                |           |   |
|  | Opening Balance   | Additons      | Under Construction | Other Changes and movements | Disposals | Transfers   | Closing Balance          |              |                |           |   |
| Land and Buildings   | 125 726 488       | -             | -                  | -                           | -         | 856 300     | 126 582 788              | -84 983 552  | -1 588 892     | -         | - |
| Infrastructure   | 540 551 613       | -             | -                  | 15 956 581                  | -         | -           | 15 956 581               | -237 389 628 | -31 487 062.00 | -         | - |
| Community Assets   | 121 661 331       | -             | -                  | 34 582 147                  | -         | -           | 34 582 147               | -88 026 127  | -2 887 125     | -         | - |
| Assets under Construction  | 97 453 096        | 31 367 698.00 | -                  | -                           | -         | -50 574 883 | 78 245 911               | -            | -              | -         | - |
| Other Assets   | 23 459 424        | 1 531 147     | -                  | -                           | -         | -           | 24 990 571               | -17 201 590  | -2 483 407     | 3 227 894 | - |
| Motor Vehicles   | 8 213 254         | 526 928       | -                  | -                           | -         | -           | 8 740 182                | -5 831 214   | -1 126 978     | -         | - |
|  | 917 065 206       | 33 425 773    | -                  | 50 538 728                  | -         | -49 718 583 | 289 098 180              | -433 432 111 | -39 573 464    | 3 227 894 | - |
| Investment Property  | -                 | -             | -                  | -810 514                    | -         | -           | -810 514                 | -            | -              | -         | - |
| Heritage   | 1 226 325         | 6 000         | -                  | -                           | -         | -           | 6 000                    | -            | -              | -         | - |
| Intangible assets  | 2 180 556         | -             | -                  | -                           | -         | -           | -                        | -1 980 908   | -160 538       | -         | - |

\* See Note 44

# Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Supplementary Information

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| 2012/2013                 | Opening Balance | Additions  | Other changes or movements | Disposals/Transfers | Impairment | Closing Balance |
|---------------------------|-----------------|------------|----------------------------|---------------------|------------|-----------------|
| Buildings                 | #REF!           | -          | 856 300                    | #####               | #REF!      |                 |
| Infrastructure            | #REF!           | -          |                            | #####               | #REF!      |                 |
| Community Assets          | #REF!           | -          |                            | #####               | #REF!      |                 |
| Assets under Construction | #REF!           | 31 367 698 |                            | -50 574 883         |            | #REF!           |
| Other Assets              | #REF!           | 1 531 147  |                            | #####               | #REF!      |                 |
| Motor Vehicles            | #REF!           | 526 928    |                            | #####               | #REF!      |                 |
|                           | #REF!           | 33 425 773 | -                          | -49 718 883         | #####      | #REF!           |

  

| 2011/2012                 | Opening Balance | Additions  | Other changes or movements | Disposals/Transfers | Impairment | Closing Balance |
|---------------------------|-----------------|------------|----------------------------|---------------------|------------|-----------------|
| Buildings                 | 49 523 409      | 396 310    | #####                      | 48 017 599          |            |                 |
| Infrastructure            | 26 314 014      | 17 116 031 | #####                      | 27 239 155          |            |                 |
| Community Assets          | 27 239 153      | 9 633 935  | #####                      | 34 771 910          |            |                 |
| Assets under Construction | 17 260 834      | 29 286 338 | (28 557 890)               | -                   | 17 989 282 |                 |
| Other Assets              | 7 855 403       | 5 903 504  | 1 170 195                  | (235 066)           | 11 547 387 |                 |
| Motor Vehicles            | 2 269 928       | 4 164 311  | -                          | (15 950)            | 4 371 778  |                 |
|                           | 387 662 471     | 67 202 329 | 1 170 195                  | -28 808 906         | #####      | 387 011 621     |

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\* See Note 44

# Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Supplementary Information

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| Closing Balance         | Carrying Value          |
|-------------------------|-------------------------|
| -86 572 444.00          | 40 010 344              |
| -268 876 690            | -252 920 109            |
| -90 913 252             | -56 331 105             |
| -                       | 78 245 911              |
| -16 457 103             | 8 533 468               |
| -6 958 192              | 1 781 990               |
| <br><b>-469 777 681</b> | <br><b>-180 679 501</b> |
| -                       | -810 514                |
| -                       | 6 000                   |
| <b>-2 141 446</b>       | <b>-2 141 446</b>       |

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\* See Note 44

**Greater Kokstad Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**Supplementary Information**

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\* See Note 44

# Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Supplementary Information

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### GREATER KOKSTAD MUNICIPALITY

#### APPENDIX B (NON-AUDITABLE)

#### ANALYSIS OF PROPERTY PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2015

|                           | COST / REVALUATION |            |                    |                    |                |           |           | ACCUMULATED DEPRECIATION |                 |            |           |             |                 |                |
|---------------------------|--------------------|------------|--------------------|--------------------|----------------|-----------|-----------|--------------------------|-----------------|------------|-----------|-------------|-----------------|----------------|
|                           | Opening Balance    | Additions  | Under Construction | Assets fair valued | Assets Donated | Disposals | Transfers | Closing Balance          | Opening Balance | Additions  | Disposals | Impairment  | Closing Balance | Carrying Value |
| Land and Buildings        | 125 726 488        | -          |                    |                    |                |           |           | 125 726 488              |                 |            |           | -1 902 120  | -1 902 120      | 123 824 368    |
| Infrastructure            | 713 047 792        | 18 016 242 | -                  |                    |                |           |           | 731 064 034              | -419 162 709    | -          |           | -31 778 446 | -450 941 155    | 280 122 880    |
| Heritage Assets           | 1 226 325          |            |                    |                    |                |           |           | 1 226 325                | -               | -          |           |             | -               | 1 226 325      |
| Community Assets          | 104 889 573        | 9 633 935  | -                  |                    |                |           |           | 114 523 508              | -77 650 221     | -          |           | -2 101 378  | -79 751 599     | 34 771 909     |
| Assets under Construction | 17 260 634         | 31 217 628 |                    |                    |                |           |           | -28 672 157              | 19 806 305      | -          |           |             | -               | 19 806 305     |
| Other Assets              | 19 901 721         | 10 043 200 |                    |                    |                |           |           | -5 084 912               | -28 672 157     | 24 860 008 |           | -9 830 950  | 4 833 899-10    | -5 201 524     |
|                           | 982 052 733        | 68 911 004 | -                  | -                  | -              | -         | -         | 1 017 206 669            | -506 643 880    | -          |           | 4 833 899   | -40 983 468     | -542 793 449   |
|                           |                    |            |                    |                    |                |           |           |                          |                 |            |           |             | 474 413 220     |                |

\* See Note 44